

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 IO-10 ISO-00 COME-00 TRSE-00 STR-04 H-02

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FM US MISSION EC BRUSSELS

TO SECSTATE WASHDC 8962

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

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AMEMBASSY THE HAGUE

USMISSION GENEVA

OECD PARIS

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E.O. 11652: N/A

TAGS: EIND, EEC

SUBJECT: EC INDUSTRIAL POLICY -- THE AUTOMOBILE INDUSTRY

REFS: A. STATE 109511

B. STATE 92035

C. EC BRUSSELS A-072,/FEBRUARY 18, 1975

1. SUMMARY: THE EC COMMISSION IS STILL CONSULTING WITH THE AUTOMOTIVE INDUSTRY. IT HOPES TO HAVE READY BY JULY A REPORT SUGGESTING COMMUNITY MEASURES THAT MIGHT BE TAKEN IN THIS INDUSTRIAL SECTOR. THE FOCUS IS ON MEDIUM TERM REATIONALIZATION AND RESTRUCTURING. SHORT TERM PROTECTIONIST MEASURES ARE NOT UNDER CONSIDERATION.

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THE COMMISSION IS ALSO MAKING AN EXAMINATION OF THE

EXISTING NATIONAL SUBSIDIES TO THE AUTO INDUSTRY TO
DETERMINE IF THEY ARE IN CONFORMITY WITH THE ROME TREATY
END SUMMARY.

2. ON MAY 20, THE EC COMMISSION OFFICIAL RESPONSIBLE
FOR THE AUTOMOTIVE SECTOR (GARRIC, DIRECTORATE
GENERAL FOR INDUSTRY) SAID THAT THE COMMISSION IS
STILL CONSULTING WITH AUTOMOTIVE INDUSTRY OFFICIALS
(SEE REF C) TO DETERMINE IF THE COMMISSION SHOULD
MAKE PROPOSALS IN THIS SECTOR AND WHAT THEY MIGHT BE.
HE HOPED TO HAVE A REPORT FOR COMMISSION CONSIDERATION
FINISHED BEFORE THE SUMMER HOLIDAYS.

3. GARRIC SAID THAT DISCUSSIONS ARE FOCUSING ON
MEDIUM TERM MEASURES TO MAKE THE EUROPEAN AUTOMOTIVE
INDUSTRY MORE COMPETITIVE AND NOT RPT NOT ON
PROTECTIONIST DEVICES TO KEEP OUT FOREIGN AUTOMOBILES.
SOME OF THE IDEAS BEING EXPLORED ARE : A) THE
ACCELERATION BY THE EC COUNCIL OF ITS APPROVAL OF
STANDARDS HARMONIZATION PROPOSALS, B) JOINT R AND
D ON POLLUTION CONTROL, SECURITY, AND GAS MILEAGE
TO ECONOMIZE EXPENDITURES AND AVOID DUPLICATION, C)
INCLUSION OF THE AUTOMOTIVE SECTOR IN AGREEMENTS
WITH THIRD COUNTRIES "CONSISTENT WITH GATT OBLIGATIONS"
D) PREPARATION OF FORECASTS OF THE AUTO MARKET BY THE
COMMISSION TO AID AUTO-INDUSTRY PLANNING, E) DIVERSIFICATION OF
PRODUCTION.

4. AN OFFICIAL FROM FORD, WHICH WAS ONE OF THE FIRST
COMPANIES TO CONSULT WITH THE COMMISSION, HAS TOLD
US THAT THE COMMISSION IS CONCERNED THAT THE PROBLEMS
OF THE AUTO INDUSTRY ARE STRUCTURAL AND THAT
WITHOUT RATIONALIZATION AND RESTRUCTURING THERE WILL
BE SERIOUS EMPLOYMENT PROBLEMS IN THE INDUSTRY IN
THE MEDIUM TERM, EVEN IF THE EUROPEAN ECONOMY RECOVERS
ITS BUOYANCY. HE ALSO SAID THAT THE COMMISSION WILL
HAVE AN IMPORTANT MEETING WITH INDUSTRY IN DECEMBER
TO DISCUSS SAFETY AND ENVIRONMENT STANDARDS IN
ORDER TO REACH AGREEMENT ON JUST HOW FAR EUROPE SHOULD GO
IN THESE AREAS.

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5. A RELATED SUBJECT IS THE COMMISSION'S ATTITUDE
TOWARD RECENT MEMBER STATE SUBSIDIES TO THE AUTOMOBILE
INDUSTRY (VOLKSWAGEN, CITROEN AND RENAULT, BRITISH
LEYLAND). COMMISSIONER BORSCHETTE, THE COMMISSIONER
RESPONSIBLE FOR COMPETITION POLICY AND THE ENFORCEMENT
OF ART. 92 OF THE ROME TREATY (STATE AIDS) RECENTLY
TOLD A COMMITTEE OF THE EUROPEAN PARLIAMENT THAT

THE COMMISSION HAD NO PROBLEM WITH THE VOLKSWAGEN AID BECAUSE IT WAS NOT A SUBSIDY TO INDUSTRY BUT WAS FOR THE RETRAINING OF UNEMPLOYED VW WORKERS. BORSCHETTE SAID THE COMMISSION IS STILL STUDYING THE FRENCH AND BRITISH SUBSIDY PROPOSALS.

6. ANSWERS BY THE COMMISSION TO QUESTIONS BY MEMBERS OF PARLIAMENT AND CONVERSATIONS WITH EC OFFICIALS INDICATE THAT THE COMMISSION, TAKING ACCOUNT OF THE CURRENT DIFFICULTIES OF THE EUROPEAN AUTOMOBILE INDUSTRY, WILL LOOK FAVORABLY ON AID INTENDED TO BRING ABOUT RATIONALIZATION OR SAFEGUARD EMPLOYMENT IN THE SHORT TERM. IT WILL, HOWEVER, NOT APPROVE AID INTENDED TO SUBSIDIZE EXPORTS TO OTHER MEMBER STATES. SUBSIDIES INTENDED TO INCREASE CAPACITY OR MAINTAIN UNECONOMIC OPERATIONS OVER A LONG PERIOD WILL ALSO BE JUDGED SEVERELY. GREENWALD

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